

Malaysia Marine and Heavy Engineering (MMHE MK)

4Q25: A New Life For Marine Repair

Highlights

- 2025 results surprised on the upside, due to marine repair.** Despite falling revenues as O&G fabrication jobs are at their tail-ends, MMHE gained positive claims from completed projects. The positive surprise in this quarter is the marine division which saw many record highs in its quarterly profit, and capacity to undertake more high-value LNGC retrofits/ repairs. We are not concerned over its declining O&G orderbook as we view MMHE as rightly positioned to capture more opportunities in marine repair, renewables and floating solutions.
- Discount to valuations will gradually disappear once MMHE meets MHB30 targets.** The MHB30 targets are long-term growth targets in its operating cash flow and dividends (>33% improvement from 2022 base), aligning with its parent company MISC. While we still largely retain our forecasts for now, we do not foresee major earnings or dividend risks at this juncture. BUY with a target price of RM0.50 based on 0.5x 2026F P/B, which is already at a discount to peer valuations. RM0.40 is our 'floor target price' based on dividend yield.

4Q25 Results

Year to 31 Dec (RMm)	3Q25	qoq % chg	yoy % chg	YTD 2025	yoy % chg	Comments
Revenue	509.9	18.1	(43.8)	1,394.5	(50.0)	
- Offshore	393.8	27.0	(50.8)	1,023.9	(58.7)	Higher qoq as Vestigo WHPs past first steel cuts
- Marine	116.1	(4.5)	9.0	370.6	18.6	More vessel repairs especially LNGC, vs qoq
EBIT	31.6	140.9	52.1	60.1	(47.4)	Mainly driven by favourable finalisation
- Offshore	27.8	1,753.7	42.3	31.5	(64.0)	Of completed project but quantum is not specified
- Marine	9.6	(13.0)	(13.2)	37.9	11.8	Lower blended margins, suggesting competition
Operating margin (%)	6.2%	3.2%	3.9%	4.3%	0.2%	
PBT	28.6	176.9	(394.6)	51.6	(49.0)	
Tax	(0.4)	50.2	(39.3)	(1.1)	(28.5)	
Net Profit	28.3	181.1	84.7	50.6	(49.2)	Exceptional items (EI) for 3Q25: RM3m unrealised
Core Profit	36.8	440.9	24.6	55.8	(35.1)	loss in derivatives, RM6m forex loss

Source: MMHE, UOB Kay Hian

Analysis

- 2025 core profit met 125%/159% of our/consensus estimates.** Malaysia Marine and Heavy Engineering (MMHE) recorded a stronger-than-expected EBITDA of RM71m/RM192m in 4Q25/2025 respectively. While the offshore division continued to gain from favourable project settlements, 4Q25's positive deviation is from marine repair, which recorded a multi-year high in quarterly profits as revenues also surged qoq, suggesting that the high-value LNGC jobs and FPSO conversion works are materialising.

Key Financials

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F	2028F	2027F
Net turnover	3,609	3,020	2,700	3,295	3,609	3,295
EBITDA	219	169	168	164	219	164
Operating profit	141	93	94	93	141	93
Net profit (rep./act.)	121	83	85	83	121	83
Net profit (adj.)	112	83	85	83	112	83
EPS	7.6	5.2	5.3	5.2	7.6	5.2
PE	5.3	7.1	6.9	7.1	5.3	7.1
P/B	0.4	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	8.0	7.5	6.1	6.4	8.0	6.4
Dividend yield	4.1	4.3	4.6	4.9	4.1	4.9
Net margin	3.4	2.8	3.2	2.5	3.4	2.5
Net debt/(cash) to equity	-	-	-	-	-	-
Interest cover	12.3	11.4	12.2	10.8	12.3	10.8
ROE	6.2	4.2	4.2	4.1	6.2	4.1
Consensus net profit	-	67	83	85	-	85
UOBKH/Consensus (x)	-	1.23	1.02	0.97	-	0.97

Source: MMHE, Bloomberg, UOB Kay Hian

BUY (Upgraded)

Share Price	RM0.39
Target Price	RM0.50
Upside	+28.2%

Analyst(s)

Kong Ho Meng

homeng@uobkayhian.com

+603 2147 1987

Stock Data

GICS Sector	Energy
Bloomberg ticker	MMHE MK
Shares issued (m)	1,600
Market cap (RMm)	592.0
Market cap (US\$m)	137.0
3-mth avg daily t'over (US\$m)	2.0

Price Performance (%)

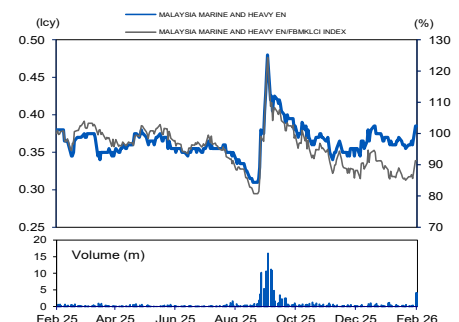
52-week high/low RM0.49/RM0.31

1mth	3mth	6mth	1yr	YTD
(5.1)	(6.8)	(1.3)	(15.9)	(3.9)

Major Shareholders

	%
MISC Bhd	66.5
Technip SA	8.5

Price Chart



Source: Bloomberg

Company Description

Petronas-owned deepwater offshore oil and gas fabricator. The offshore/ heavy engineering division is capable of performing Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) scope of works, for platforms like Central Processing Platform (CPP) and Wellhead Platform (WHP). The marine division is recognised by Clarksons as a leading yard for Liquefied Natural Gas Carrier (LNGC) repairs.

- **Marine repair achieved another new milestone.** This division completed 87 vessels in 2025 (2024: 86; 9M25: 60), but with another new rassicord gained for the no of higher-value LNGC jobs executed. In 2025, 26 LNGC jobs were completed vs 16 in the prior year. The LNGC jobs for both years are above the historical yearly average of 12-14 LNGC. However, we also note that despite the increased volume in high-value LNGC jobs, marine's blended margins remained thin. The marine division's 4Q25 operating profit margins barely improved qoq from 10% to over 11%. This appears consistent with our theory that yard competition remains intense, and perhaps MMHE's sacrifice on profit margins may be a deliberate strategy to capture more market share.
- **Declining offshore (O&G) orderbook, and TenneT's wind novation...** MMHE is transforming itself to be a sustainable yard player with resilient cash flow generation to meet its MHB30 targets (see RHS). We note that its O&G orderbook had been declining from RM4.2b in 3Q25 to RM3.4b in 2025. While management did not disclose the breakdown of its RM14b tenderbook this time, we believe they are still substantially O&G-related projects.
- For TenneT's High Voltage Direct Current (HVDC) wind project, the expected start date (or first steel cut) appears to have been delayed by almost one year to end-2026. We do not foresee major impairment risks as there was no physical work done, and there are no late delivery charges as this is a permissible delay given that the client is forming the novation agreement.
- **...are not major concerns.** Firstly, we assume MMHE's O&G tenderbook may have shrunk but may likely be more targeted for offshore floating solutions. This scenario will be consistent with their proactive contracting management strategy. Secondly, we continue to see MMHE benefitting at the right cycle to grow its track record and capacity for more marine repair jobs. This includes the higher-value ship repair jobs like LNGC, and floating solutions conversion. Thirdly, MMHE's capex outlay is expected to be moderate.
- **Moderate capex unlike the past infrastructure upgrades.** The higher capex of RM162m in 2025 and capital commitment to the tune of RM250m are largely for replacement capex, and specialised equipment to execute the wind jobs. Moving forward, MMHE will be focused on yard modernisation (to integrate digitalisation and automation capabilities). This is unlikely to cost as much as the past major capex cycles, ie a RM2b yard optimisation plan for 4-5 years since 2012, and a 5-year dock improvement project.

Valuation/Recommendation

- **BUY with a target price of RM0.50** at unchanged 0.5x 2026F P/B and in line with its recent average, while implying 10x 2026F PE. We believe the depressed valuation vs 0.7x P/B historically and regional peer average, conservatively priced in execution risk in the Kasawari Carbon Capture project, and ignores the potential upside in the track record buildup for renewables and marine division, the latter which is the more recurring earnings for group.
- **Under MHB30, RM0.40 is a 'floor target price' based on dividend yield.** As MMHE officially has its 2030 targets determined by parent company MISC (MHB30), one interesting target is the over 33% dividend payout increase. If this is applied to the 1.5 sen DPS in the past, the implied target DPS will be 2.0 sen, and hence we derive a floor target price of RM0.40 based on dividend yield. There is a risk that this perception may be ignored, as unlike MISC and due to MMHE's past financial track record, MMHE is not known to pay dividends.

Earnings Revision/Risk

- No change to forecasts, as we opt to see MMHE's contracting strategy in the next few quarters.
- **Risks.** Major unexpected losses especially from existing projects, ie Kasawari CCS and Offshore wind, because of their orderbook concentration and a big risk to project reputation.

Project Progress

% completion as of	2025	9M25	Completion
Kasawari CCS	70	68	4Q26 target
HVDC OSS : Ijmuiden Ver Alpha	22	11	2028
HVDC OSS : Nederwiek 1	na	na	4Q26 start
WHP: Irong Timur, Berantai East	65	49	For Vestigo
WHP: Kurma Manis	45	25	For Vestigo

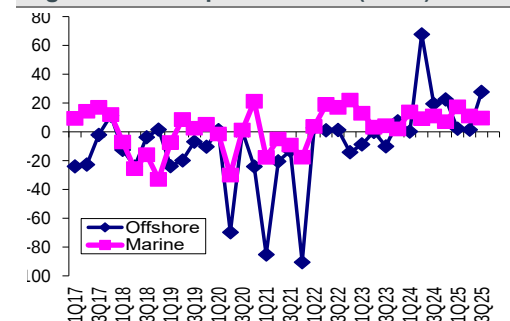
Source: MMHE

Enhanced Project Management Practices

Comprehensive end-to-end project management visibility, full accountability for production through the Central Production System (CPS) to improve productivity and efficiency, an optimised cost breakdown structure, proactive contracting management, and the integration of digital

Source: MMHE

Segmental EBIT performance (RMm)



Source: MMHE

MHB30 Targets

Metrics from 2022 baseline	2022	2030 target
Operating cash flow, 50% growth	RM136m	RM205m
- Of which, clean projects contribute 25% growth	-	RM51m
Emission intensity reduction, >20%, in tonnes CO2e/ mil man-hours	5.09	4.04
Dividend payout, >33% improvement	RM24m	RM32m
Implied DPS (sen)	1.5	2.0

Source: MISC, MMHE

Percentage of Green Revenue

Year to 31 Dec (RMm)	2023	2024	2025
Net turnover	3,309	3,608	1,976
- Carbon Capture	1,239	1,302	493
- Wind	20	23	228
- Others (O&G)	2,051	2,283	1,256

Source: MMHE

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	3,609	3,020	2,700	3,295
EBITDA	219	169	168	164
Deprec. & amort.	78	76	74	71
EBIT	141	93	94	93
Associate contributions	0	0	0	0
Net interest income/(expense)	(18)	(15)	(14)	(15)
Pre-tax profit	123	78	80	78
Tax	(2)	5	5	5
Minorities	0.0	0.0	0.0	0.0
Net profit	121	83	85	83
Net profit (adj.)	112	83	85	83

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	]	1,484	1,433	1,382
Other LT assets	282	282	282	282
Cash/ST investment	458	465	497	699
Other current assets	1,817	1,765	1,714	1,663
Total assets	3,530	3,312	3,189	3,552
ST debt	40.1	40.0	40.0	40.0
Other current liabilities	1,880	1,616	1,444	1,763
LT debt	228	218	208	198
Other LT liabilities	0	0	0	0
Shareholders' equity	1,380	1,437	1,496	1,550
Minority interest	1	1	1	1
Total liabilities & equity	3,530	3,312	3,189	3,552

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	124	83	109	281
Pre-tax profit	123	78	80	78
Tax	(2)	5	5	5
Deprec. & amort.	78	76	74	71
Associates	0	0	0	0
Working capital changes	(64)	(75)	(58)	108
Other operating cashflows	(12)	(2)	8	18
Investing	(101)	(50)	(50)	(50)
Capex (growth)	(112)	(50)	(50)	(50)
Investments	0	0	0	0
Others	11	0.0	0.0	0.0
Financing	(28)	(26)	(27)	(-29)
Dividend payments	(24)	(26)	(27)	(-29)
10.6	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	(5)	7	32	202
Beginning cash & cash equivalent	558	458	465	497
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	552	465	497	699

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	6.1	4.3	5.3	4.2
Pre-tax margin	3.4	1.3	2.0	1.6
Net margin	3.4	1.5	2.2	1.8
ROA	3.4	1.3	1.8	1.6
ROE	6.2	2.3	3.0	2.9
Growth				
Turnover	100.4	136.3	153.5	119.9
EBITDA	(378.4)	96.3	45.5	74.3
Pre-tax profit	(1,133.6)	(166.8)	(134.9)	(157.2)
Net profit	(814.4)	258.9	97.1	210.1
Net profit (adj.)	(1,796.6)	n.a.	(50.5)	87.1
EPS	(1,796.6)	n.a.	(50.5)	87.1
Leverage				
Debt to total capital	19.5	18.4	17.3	16.2
Debt to equity	19.5	18.4	17.3	16.2
Net debt/(cash) to equity				(24.0)
Interest cover (x)	12.3	8.8	10.4	9.2

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at the following link:
<https://research-api.uobkayhian.com/assets/disclaimer/df64a6ea-7980-447c-ae9e-fd19b93257dc> or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."